

CLERK: LB 334 introduced by Senator Abboud. (Read title.) The bill was introduced on January 11, referred to the Business and Labor Committee, advanced to General File. There are committee amendments pending, Mr. President.

SENATOR HALL: Thank you, Mr. Clerk. Senator Abboud, to open on the committee amendments.

SENATOR ABOUD: Mr. President, colleagues, the committee amendment becomes the bill. There isn't much of a change with the amendment but it clarified the bill and the changes in the bill were so small that the bill became the...or the amendment became the bill. This proposal...so I'm going to run through a little bit about what the proposal deals with. The bill was proposed by the Nebraska Department of Labor to correct a problem that they have encountered with negative reserve balance employers. Now a negative reserve balance employer is one whose former employees are drawing unemployment benefits in excess of their employer's tax contribution and, because of that, they are required to pay a higher tax. Some of these employers, because of the way the law is written, have taken advantage of our current laws, it's essentially a loophole, where they are having to pay less into the unemployment fund and last year it was approximately...I think if you will note on your fiscal note, it's about a 25,000 dollar loss in revenue that takes place. And, as more employers become familiar with this loophole, it could become a much larger drain on our unemployment insurance fund. Now to explain how the loophole works, the Nebraska employer when they pay into the unemployment insurance fund it's based on a two-year period, so what some employers have been doing is, let's say they start out in business and they have to have a two-year period in which to make a determination on what the unemployment benefits will be. They start out paying 3.5 percent and, after that two-year period of paying 3.5 percent, the Department of Labor evaluates how many people, how many employees have drawn on the unemployment benefits and which, in turn, draws on the unemployment insurance fund. Now if those employees, let's say it's a company that has a high turnover so there's a lot of unemployment being drawn on it, after that two-year period, the Department of Labor will examine it and say, well, your rates should go up because you have...you're drawing much more greatly on this insurance fund. Or if they don't have a high turnover, their rate drops from the 3.5 percent and that's the way the system works. Now some employers figured out though that if you...because of the way